

Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 IO-14 ISO-00 AF-10 ARA-16 EA-11 NEA-14

RSC-01 SSO-00 NSCE-00 INRE-00 USIE-00 DRC-01 AGR-20

CEA-02 CIAE-00 COME-00 FRB-02 H-03 INR-10 L-03 LAB-06

NSAE-00 NSC-07 PA-04 AID-20 CIEP-02 SS-20 STR-08

TAR-02 TRSE-00 PRS-01 SP-03 OMB-01 SWF-02 /220 W

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O R 161650Z MAY 74

FM AMEMBASSY ROME

TO SECSTATE WASHDC IMMEDIATE 4829

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

USMISSION EC BRUSSELS

USMISSION GENEVA

USMISSION OECD PARIS

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E.O. 11652: N/A

TAGS: ETRD, GATT, EEC, IT

SUBJ: GATT ARTICLE XXIV:6 NEGOTIATIONS-TOBACCO

FOR STR AND AGRICULTURE

1. MINISTRY FOREIGN AFFAIRS (MFA) REP CALAMIA (DIRECTOR, EC-GATT AFFAIRS) PROVIDED EMBOFF WITH LATEST GOI VIEWS ON XXIV:6 NEGOTIATIONS, ESPECIALLY TOBACCO, EARLY THIS AFTERNOON.

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2. CALAMIA EMPHASIZED THAT MOST DIFFICULT ASPECT OF US REQUEST WAS CREATION OF SPECIAL TARIFF SUB-CATEGORY FOR CERTAIN TYPES OF TOBACCO, SINCE IT REPRESENTED MAJOR BREAKDOWN IN "INTEGRITY" OF CXT AND WOULD BE A PRECEDENT FOR REQUESTS FOR SIMILAR TREATMENT OF OTHER CXT ITEMS.

3. HAVING OVERCOME THIS RELUCTANCE TO MODIFY STRUCTURE OF CXT IN ORDER REACH SATISFACTORY XXIV:6 SETTLEMENT, WHICH DECISION CALAMIA STRESSED IS SUBSTANTIAL CONCESSION ON PART OF EC, GOI SEES NO RPT NO REASON TO EXTEND SPECIAL TREATMENT TO BURLEY. EC STUDIES INDICATE BURLEY NOT AT 280 UA THRESHOLD AND PROBABLY WOULD NOT BE AT THAT LEVEL FOR SOME TIME. THERE IS THEREFORE IN GOI VIEW NO JUSTIFICATION FOR INCLUDING BURLEY IN A SPECIAL TARIFF CATEGORY. TO INCLUDE BOTH VIRGINIA (BRIGHT) AND BURLEY IN EX-OUT WOULD MAKE IT MUCH MORE DIFFICULT TO DEFEND "INTEGRITY" OF CXT IN FUTURE TRADE NEGOTIATIONS; CALAMIA BELIEVED, HOWEVER, THAT EX-OUT FOR A SINGLE QUALITY --VIRGINIA (BRIGHT) -- COULD BE DEFENDED.

4. CALAMIA ALSO INDICATED THAT 45 UA MAXIMUM SOUGHT BY US FOR BOTH BURLEY AND VIRGINIA IS BEYOND WHAT IS ACCEPTABLE TO GOI, ALTHOUGH GOI HAD NO PROBLEMS WITH 14 PERCENT.

5. IN CLOSING, CALAMIA SAID REMAINING PROBLEMS WILL HAVE TO BE IRONED OUT IN BRUSSELS. HE ALSO EXPRESSED CONCERN THAT SEVERAL NEW ITEMS HAD BEEN ADDED TO US LIST AT LAST MOMENT. CALAMIA'S CONVERSATION SHOWED SIGNS OF STRESS OF NEGOTIATIONS.

6. COMMENT: APPEARS GOI WOULD (EVENTUALLY) ACCEPT 14-45 ON VIRGINIA (BRIGHT), BUT THAT SIMILAR TREATMENT FOR BURLEY, OF WHICH ITALY HAS SIGNIFICANT PRODUCTION, IS MORE THAN GOI CURRENTLY PREPARED TO ACCEPT. US CASE WOULD BE MUCH STRONGER IF WE COULD DEMONSTRATE 280 UA THRESHOLD IS ALREADY FACTOR IN US BURLEY EXPORTS, AS IT APPARENTLY ALREADY IS FOR OUR VIRGINIA (BRIGHT). VOLPE

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